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NORTH VIETNAM: New flooding probably will cause further heavy losses in the important November rice crop that was damaged by high water in August.

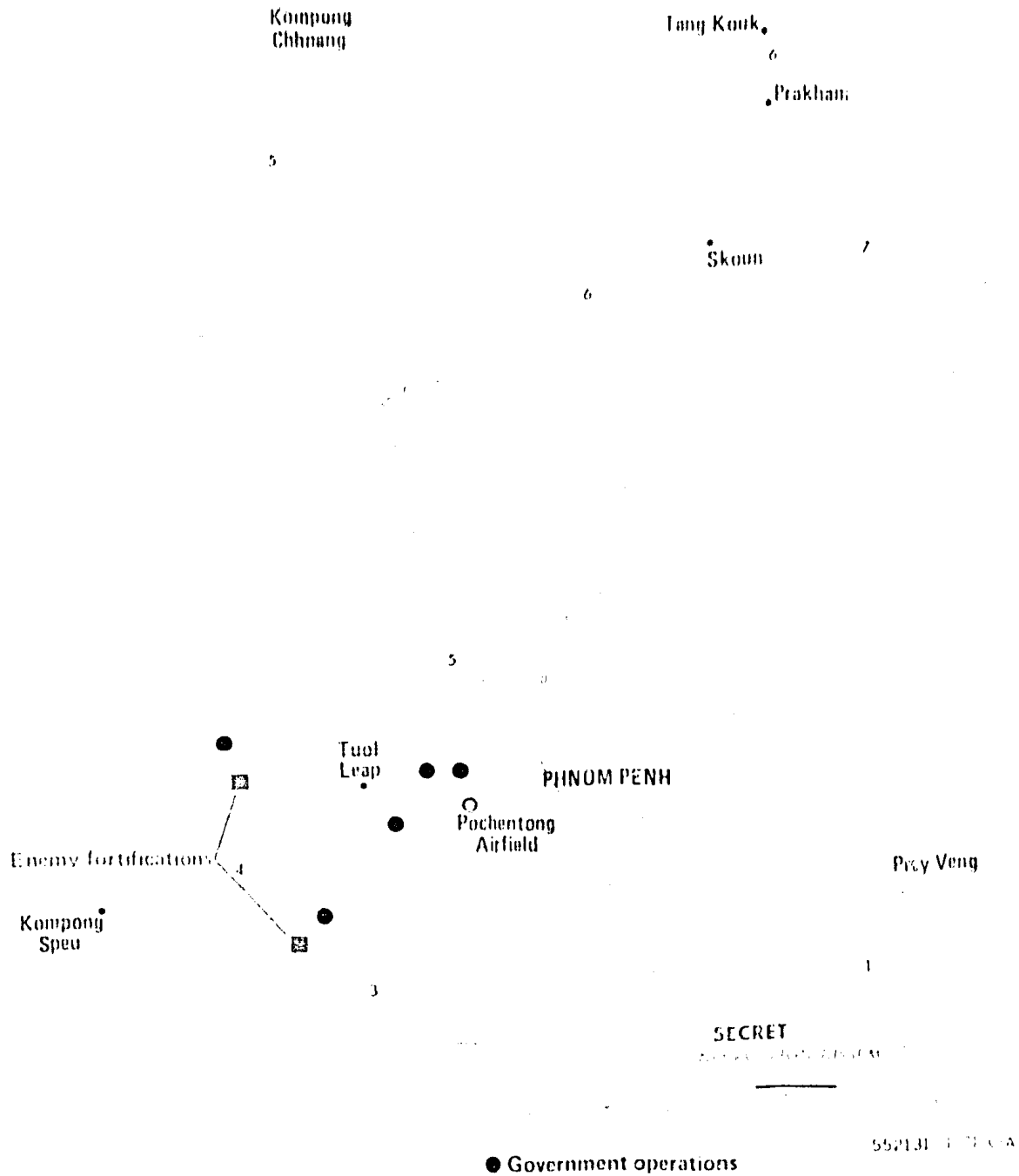
Photography of 22 October and 2 November shows large-scale flooding in the same general areas of the central delta provinces that were inundated three months ago. Water levels appeared higher behind the dikes than in the rivers, suggesting that the latest floods were caused by rainfall from a tropical storm in late October. Primary transportation arteries appear to be intact, but flooded secondary roads have isolated many villages.

The new flooding will further reduce yields or cause total crop failure in fields that had survived the August floods. Shortfalls in the November rice crop will require even greater imports of foodstuffs from Communist China and the USSR before the spring crops are harvested. There was a substantial increase in food imports from both countries in October to help offset earlier flood losses. (SECRET NO FOREIGN DISSEM)

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CAMBODIA: Phnom Penh Area



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CAMBODIA: The government has launched a number of operations to counter the Communist threat in the Phnom Penh area.

Five Cambodian Army (FANK) battalions were withdrawn from the Bat Leuca operation southwest of Phnom Penh and began a belated move north from Route 4 to aid government troops encircled at Tuol Leap. [The village was overrun by the Communists, however, before the relief column could reach the stranded defenders.] The army high command believes that the remaining four battalions in the southwest can deal with the one remaining enemy battalion known to be in the area. Another multibrigade force is conducting an operation about 11 miles north of Kompong Speu town. Closer to the capital, an eight-battalion search-and-destroy mission is under way north of the rail line and west of the capital. Two of these FANK battalions are searching for enemy rocket positions just north of Pochentong Airfield. The airfield was closed to commercial air traffic on Monday but has since reopened, despite the daily rocket and mortar shelling. These attacks are minor, however, and have caused little damage.

Reinforcements have also been sent to Phnom Penh. A Khmer Krom infantry brigade and a squadron of 15 armored personnel carriers from the Chenla II front have been stationed on the city's northern outskirts.

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[redacted] there are about 8,000 Communist troops within 30 miles of Phnom Penh. US observers report that in some cases they have constructed concealed bunkers and foxholes, indicating that they may intend to stay in the area for the near future. The movement of Communist main force regiments west of Phnom Penh is almost certainly intended to have a psychological impact on the government and the city's residents, and to cause a diversion of Cambodian troops from the Chenla II operation.

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It is possible that the movement of the Phuoc Long Front elements closer to Phnom Penh--last dry season they operated farther to the southwest--is the beginning of a dry season strategy designed to counter the government's efforts to extend its control in the countryside by threatening the capital. The Communists might hope to accomplish this by interdicting Routes 4 and 5 or by hitting installations close to Phnom Penh. (SECRET NO FOREIGN DISSEM)

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WESTERN EUROPE: Concern is mounting over the lack of progress toward resolving international monetary problems.

Growing pressures for retaliation and difficulties for the Alliance's military effort are prominent among European worries if a settlement is not achieved in the near future. Although European officials, in conveying these worries, clearly hope the US will make concessions, particularly at the forthcoming Group of Ten meeting, their concern that US-European relations will suffer appears genuine.

The US ambassador in Paris notes that French officials are increasingly emphasizing that opinion will turn "decisively" against the US should Washington not indicate clearly its terms for a settlement. Officials and businessmen seem more and more convinced that the US is blocking a negotiated solution. Barring greater US flexibility, they fear that a settlement may no longer be possible before the issues become politicized by the upcoming US and French election campaigns. The ambassador foresees the possibility of France moving to protect its own trade position outside the EC through special export incentives, a more restricted policy toward US imports, or conceivably, outright retaliation--especially against private investment--if the atmosphere deteriorates.

NATO Secretary General Luns also fears that the US-European differences will "get out of control" if left unsettled for four or five months. He is especially concerned lest retaliatory measures and recessionary trends lead to a further reduction in defense budgets and erosion of confidence in the Alliance. Accordingly, he hopes for some discussion of the monetary problems at the NATO ministerial in early December.

Luns believes Chancellor Brandt is favorably disposed to such a NATO discussion. Brandt's worries may have been heightened by an October public

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opinion poll which, while showing continued public awareness of the crucial importance of friendly relations with the US, also showed a sharp rise in sentiment favoring neutrality over firm Alliance ties.

European central bankers at a recent meeting in Basel also voiced their alarm over the present outlook. Each stressed that the uncertainties of the prevailing situation were a drag on their respective economies, which are already either in recession or face the imminent likelihood of one. These officials see the stalemate between the US and France over a US gold price increase as the main impediment to a settlement. (SECRET NO FOREIGN DISSEM)

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NATO: The European allies have made progress on compiling a package of defense improvements to be announced at the ministerial meetings in December.

It now appears that the infrastructure portions of the European Defense Improvement Program will be funded fully by December, a year after the program was announced by the members of the Eurogroup--the UK and all the continental NATO members except France and Portugal. The \$420-million program to finance hardened aircraft shelters and a portion of the new NATO communications system has been short \$29 million, largely because of Belgium's failure to come up with its full share. Eurogroup defense ministers last week agreed on a formula for sharing the Belgian shortfall.

In addition, the defense ministers will produce a detailed list of military hardware already acquired or slated for 1972. The list will include 1,600 main battle tanks added within the last year and a variety of ground force, naval, and air weapons systems. At the present time, the ministers are reluctant to attempt to put a specific price tag on the items, but they are considering including some cost data based on recent defense budgets.

The Eurogroup has also agreed to consult regularly on such matters of common concern as SALT and mutual and balanced force reductions.

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The ministers agreed to study the proposal further, and Bonn does not consider the matter closed. (SECRET NO FOREIGN DISSEM)

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Ecuador: The government's policy of seizing US tuna boats operating inside the country's claimed 200-mile territorial limit is causing some dissension within the armed forces, although the military in the main approves the actions.

Dissatisfaction with the government's actions, which have led to an extended suspension of US military sales, is centered in the army, apparently at the colonel level.

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Other military officers, including the commanders of the army and navy, appear satisfied with the government's policy. They recently told the US defense attaché that they believed Ecuador has seized the initiative in the matter and that it was up to the US to seek some compromise. The attaché comments that he has rarely seen such confidence among senior military officers.

Although the US suspension of military sales is causing some problems for the Ecuadorean armed forces, much of whose equipment already is obsolescent, the vision of little Ecuador standing up to the US giant feeds the national pride and self-esteem of many officials. In addition, the military probably can find alternate sources of supply over a period of time. Many of the tuna boats, for example, were captured by the navy's newly acquired fast patrol boats built in Germany. (CONFIDENTIAL)

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